

Message Text

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SUBJ: SUMMARY FEBRUARY 4 MEETING UN EMERGENCY OPERATION

SUMMARY: FEBRUARY 4 MEETING UN EMERGENCY OPERATION, CHAIRED BY RAUL PREBISCH, PROVIDED USEFUL OCCASION REVIEW URGENT AID NEEDS OF NATIONS MOST SEVERELY AFFECTED BY RECENT ECONOMIC DISLOCATIONS AND TO NOTE RESPONSES OF BOTH TRADITIONAL DONORS AND OPEC NATIONS. PREBISCH CITED IMF/IBRD ESTIMATE OF \$3 BILLION FINANCING GAP FOR MSA'S AND SAID WHILE FOOD NOW AVAILABLE TO MEET NEEDS, MEANS TO BUY IT WAS NOT. FAO SPOKESMAN, OJALA GAVE STATISTICAL RUNDOWN OF CURRENT MSA NEEDS AND ESTIMATED REQUIREMENTS FOR BALANCE OF CY-75. IRELAND REP SPOKE ON BEHALF OF EEC, REAFFIRMED PLAN FOR \$500 EQUIVALENT TO MSA NATIONS FROM EEC COUNTRIES AND ANNOUNCED PLAN TO CONTRIBUTE NOW \$100 MILLION OF WHICH ONE THIRD TO GO TO SYG UNEO SPECIAL ACCOUNT. OTHER EUROPEAN NATIONS ENDORSED EEC PLEDGE AND ADDED FEW DETAILS ON BILATERAL AID COMMITMENTS OR PROPOSALS. OPEC NATIONS (LIBYA, VENEZUELA, IRAN) RESTATED PLEDGES GENERALLY ALONG LINES PREVIOUSLY LISTED.

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USSR AND GDR REPS TOOK OCCASION TO LINK PLIGHT LDC'S TO

CAPITALIST SYSTEM AND EFFORTS OF MONOPLIES AND TRANSNATIONAL FIRMS TO EXPLOIT FOREIGN RESOURCES; USSR OFFICIAL SAID ARMS RACE EXACERBATED LDC PLIGHT AND AFAVORED CESSATION ARMS RACE AND CUT IN MILITARY SPENDING.

U.S. SPOKESMAN, AMB FERGUSON, NOTED US WOULD CONTINUE MAKE MAJOR EFFORT PROVIDE MSA'S ADDITIONAL AID VIA EXISTING BILATERAL AND MULTILATERAL CHANNELS. WHILE US NOT WILLING PARTICIPATE IN SPECIAL FUND, WHICH MIGHT BE APPROPRIATE VEHICLE FOR NEW CONTRIBUTORS, THIS WOULD NOT AFFECT EFFORTS AID MSA'S IN COOPERATION WITH UNEO. AS OF FEBUARY 3 ANNOUNCEMENT, US FOOD AID UNDER PL480 EXPECTED BE \$1.47 BILLION IN COMMODITIES PLUS FREIGHT FOR GROSS FIGURE OF \$1.6 BILLION. THIS AMOUNT OVER \$600 MILLION GREATER THAN LAST YEAR'S ACTUAL EXPENDITURES AND SHOULD PROVIDE ABOUT 5.5 MILLION TONS GRAIN. END SUMMARY.

1. MEETING FEBRUARY 4 OF UN EMERGENCY OPERATION (UNEO) CHAIRED BY PAUL PREBISCH IN ABSENCE OF SYG. PREBISCH OPENED MEETING CITING RATIONALE FOR EXISTENCE UNEO AND REITERATION PLIGHT OF NATIONS MOST SEVERELY AFFECTED BY RECENT ECONOMIC DISLOCATIONS. HE NOTED ESTIMATES OF IBRD/IMF INDICATE BALANCE PAYMENTS GAP OF MSA'S FOR 1975 MIGHT EXCEED \$3.0 BILLION COMPATED WITH FIGURE OF \$2.3 BILLION ESTIMATED IN SEPTEMBER, 1974. TOTAL RECEIPTS IN UNEO'S SPECIAL ACCOUNT AS OF 15 JANUARY 1975 WERE \$147.5 MILLION, ALMOST ALL OF WHICH HAD BEEN ALLOCATED WHILE \$213.5 MILLION HAS BEEN PLEDGED. PREBISCH SAID IN COURSE RECENT WORLD FOOD CONFERENCE IN ROME EXPERTS IDENTIFIED URGENT FOODGRAIN NEEDS OF MSA'S AT 7.5 MILLION METRIC TONS THIS YEAR. WHILE THIS AMOUNT GRAIN IS AVAILABLE, PREBISCH NOTED, THE MEANS TO BUY IT IS NOT.

2. NEXT SPEAKER, E.M. OJALA, ASSISTANT DIRECTOR GENERAL OF FAO IN ROME, ASSESSED FOOD AND FERTILIZER IMPORT REQUIREMENTS OF MSA'S. IN 1974, OJALA SAID, DEVELOPING COUNTRIES EXPERIENCED GREAT DIFFICULTY FINANCING NEEDED FERTILIZER IMPORTS, ALTHOUGH BY NOVEMBER SUPPLY AND PRICE SITUATION HAD EASED. INTERNATIONAL FERTILIZER SCHEME, ESTABLISHED BY THE FAO AT REQUEST OF ECOSOC, WAS MONITORING FERTILIZER SUPPLY AND DEMAND SITUATION. IN SPITE OF INCREASED BILATERAL ASSISTANCE OF FERTILIZER, FAO ESTIMATED FINANCIAL CONSTRAINTS WILL CAUSE MSA'S TO SUFFER UNCLASSIFIED

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SHORT-FALL OF 337,000 TONS OF NUTRIENTS IN THE YEAR ENDING 6/75 WHEN COMPARED WITH LAST YEAR'S LEVEL PLUS A REASONABLE INCREMENT. THIS FERTILIZER SHORT-FALL COULD BE THE EQUIVALENT OF 2.7 MILLION TONS OF GRAIN. ON THE FOOD FRONT, THE FAO OFFICIAL ESTIMATED WORLD'S WHEAT AND COARSE GRAIN HARVEST IN CY-74 AT 4PERCENT BELOW PREVIOUS YEAR WHILE THE RICE HARVEST WAS DOWN 1 PERCENT. HE ESTIMATED NEED BY MSA'S FOR IMPORTED GRAIN FOR YEAR ENDING 6/75 AT 17 MILLION

TONS, UP 5 MILLION FROM THE PREVIOUS YEAR. THE AMOUNT STILL TO BE FINANCED HE ESTIMATED AT 4.8 MILLION TONS VALUED AT \$1 BILLION PLUS \$200 MILLION FOR FREIGHT. THE GRAIN IS AVAILABLE, OJALA SAID: FUNDING IS THE PROBLEM. FOR THE FUTURE, IN THE SECOND HALF OF CY-75 MSA'S ARE LIKELY TO NEED AN ADDITIONAL 6 MILLION TONS OF GRAIN COSTING ABOUT \$1.3 MILLION INCLUSIVE OF FREIGHT AT CURRENT PRICES ACCORDING TO FAO. ALTHOUGH, SAID OJALA, THE LEVEL OF CEREALS SUPPLIED AS FOOD AID IN 74-75 MIGHT NOT BE MUCH GREATER THAN THE PREVIOUS YEAR'S LEVEL AT 6.9 MILLION TONS HE NOTED THAT "IT MAY BE A TRIBUTE TO THE WORK AT UNEO THAT .. UP TO JANUARY 24 (BEFORE THE FEBRUARY 3 ANNOUNCEMENT OF U.S. PL480 AID FOR FY-75) COMMITMENTS OF FOOD AID TO MSA COUNTRIES TOTALLED 3.1 MILLION TONS, COMPARED WITH 1.5 MILLION TONS FOR 1973/74.."

3. OTHER SPEAKERS: IRELAND (AMB. KENNEDY) REPRESENTING EEC, REAFFIRMED PLAN FOR \$500 MILLION EQUIVALENT FOR EEC COUNTRIES FOR AID TO MSA'S AND ANNOUNCED PLAN TO CONTRIBUTE NOW \$100 MILLION OF WHICH ONE-THIRD TO BE GIVEN TO SYG SPECIAL ACCOUNT (BRINGING TOTAL GIVEN UNDER UNEO TO ABOUT \$250 MILLION). THE UK REP ENDORSED EEC PLEDGE, SAID ALMOST \$119 MILLION HAD BEEN OFFERED BY UK AND ADDED FURTHER ADDITIONAL COMMITMENT WOULD INCLUDE: 20 MILLION POUNDS STERLING TO INDIA, 5 MILLION STERLING TO WORLD FOOD PROGRAM AND 5 MILLION STERLING TO UNEO, BRINGING GRAND TOTAL UK ASSISTANCE TO 83 MILLION STERLING OR APPROXIMATELY \$200 MILLION. UK SPOKESMAN NOTED 12 MONTH MANDATE UNEO NEARING END AND SAID ALTHOUGH HE AWARE OF OTHER MEASURES BEING SET UP BY IMF/IBRD AND OTHERS TO HELP MSA, THERE SHOULD NOT BE HIATUS BETWEEN EXISTING UNEO EFFORTS AND THOSE BEING PROPOSED. FRENCH REP SAID OVERALL LEVEL AID AND DEBT RESCHEDULING HAD INCREASED BY 51.3 MILLION IN FY-75 OVER PREVIOUS YEAR AND GOVERNMENTS WOULD ENDEAVOR PROVIDE UNCLASSIFIED

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ABOUT \$78 MILLION ADDITIONAL. SWEDEN'SK SPOKESMAN REMINDED DELEGATES MSA FINANCIAL GAP NOW ESTIMATED BY IMF/IBRD AT \$3.0 BILLION AND SAID SWEDEN WOULD MAKE AVAILABLE ABOUT \$58 MILLION TO MSA'S AS PART CONTINUING EFFORT PROVIDE AID OF 1 PERCENT OF GNP. NETHERLANDS SAID IT WAS FINANCING \$30 MILLION OF FERTILIZER TO INDIA BUT NOT ABLE TO LIST FULL COMMITMENTS. NORWAY CITED A GRANT OF \$28 MILLION. THE JAPANESE SPOKESMAN SAID ABOUT \$100 MILLION IN AID TO MSA'S ALREADY WAS UNDER WAY AND ABOUT \$74 MILLION MORE WAS TO BE PROVIDED AS LOANS (WITH GRANT ELEMENT OF 67 PERCENT). LIBYA'S REP SAID TOTAL OF \$155.7 IN AID ALREADY DISPERSED TO AFRICAN AND ASIAN COUNTRIES INCLUDING CONTRIBUTION AFRICAN BANK.

4. THE USSR DELEGATES, IN COURSE OF LONG LECTURE SAID PLIGHT OF LDC'S OFTEN STEMMED FROM LINKS TO CAPITALIST SYSTEM, EFFORTS

OF MONOPOLISTS AND TRANSNATIONAL FIRMS TO EXPLOIT FOREIGN
RESOURCES AND REMARKED DEVELOPMENT PROBLEMS EXACERBATED BY
WORLD ARMS RACE (SAID ARMS COST \$250 BILLION THIS YEAR
AND NOTED US SOURCE HAD ESTIMATED CUMULATIVE FUGURE
AT \$4 BILLION IN 1960'S AND 70'S SOVIET REP
FAVORED CESSATION ARMS RACE AND CUT IN MILITARY SPENDING,
SAID USSR ALONG WITH SOCIALIST NEIGHBORS, HAD INCREASED TRADE
AND IAD WITH DEVELOPING COUNTRIES 17 FOLD IN PERIOD 1950-73 AND
AID TOTALLED 11 BILLION RUBLES.

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CIAE-00 DODE-00 PM-03 H-02 INR-07 L-02 NSAE-00 NSC-05

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INFO USMISSION OECD PARIS

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HE GAVE COMPENDIUM ILLUSTRATIVE SOVIET AID TO LDC'S AND CONCLUDED
WHILE USSR NTO BEAR RESPONSIBILITY FOR MSA PROBLEMS NATIONS WAS
OFFERING EFFECTIVE AID. VENEZUELA PROVIDES \$100 MILLION IN AID
OF WHICH \$50 MILLION REPORTEDLY PAID. AUSTRALIA PROMISED A
SPECIAL ALLOCATION OF ABOUT \$47 MILLION, INCLUDING 100,000 TONS
OF WHEAT. AUSTRALIAN REP SAID THAT AS END OF SYG MANDATE
NEARS, CHAIRMAN AND STAFF TO BE COMMENDED FOR FINE JOB UNDER
DIFFICULT CIRCUMSTANCES. THE GERMAN DEMOCRATIC
REPUBLIC OFFICIAL GENERALLY ECHOED THE USSR LINE INCLUDING
"EXPLOITATION" BY TRANSNATIONAL FIRMS AND SUGGESTED IT WAS
APPROPRIATE FOR EXCOLONIAL NATIONS TO ASK FOR DAMAGES

FROM CAPITALIST NATIONS. THE IRANIAN DELGATE (AMUZEGAR) NOTED PLEDGES OF \$1.6 BILLION IND AID TO MSA'S OF WHICH ABOUT \$886 MILLION WOULD BE MADE AVAILABLE BY JUNE 1975. HE SAID IRAN ALSO MAKING AVAILABLE AID OF OVER \$1 BILLION IN THE FORM OF LOANS OR GRANTS TO THE IMF (\$700 MILLION), IBRD (\$300 MILLION) AND THE UNSYG'S SPECIAL ACCOUNT (\$70 MILLION). THE IRANIAN CITED SPECIAL AID EFFORTS UNDER WAY IN THE IBRD AND IMF AND CAUTIONED AGAINST PROLIFERATION OF AID AGENCIES. CANADA IN BRIEF INTERVENTION SUGGESTED FUTURE PLEDGES OF FOOD AID

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SHOULD BE MADE BY TONNAGE RATHER THAN MONEY.

6. US SPOKESMAN AMBASSADOR FERGUSON, NOTED US WOULD CONTINUE MAKE MAJOR EFFORT PROVIDE MSA'S ADDITIONAL AID THROUGH EXISTING BILATERAL AND MULTILATERAL CHANNELS. WHILE US UNWILLING PARTICIPATE IN SPACIAL FUND, WHICH MAY BE APPROPRIATE VEHICLA FOR NEW CONTRIBUTIONS, THIS POSITION NOT AFFECT OUR EFFORTS FURHER ASSIST MSA'S IN COOPERATION WITH SYG'S EMERGENCY OPERATION. AS OF FEBRUARY 3 ANNOUNCEMENT, AMBASSADOR STATED, US FOOD ASSISTANCE UNDER PL-480 IN FY 1975 EXPECTED TO BE 1.47 BILLION IN COMMODITIES PLUS FREIGHT, FOR GROSS FIGURE OF \$1.6 BILLION. THIS AMOUNT COMPATED WITH AID OF \$981 MILLION PROJECTED EARLIER THIS YEAR AND WAS OVER \$600 MILLION GREATER THAN LAST YEAR'S ACTUAL EXPENDITURES. ESTIMATED THAT WITH THIS BUDGET, US WOULD PROVIDE ABOUT 5.5 MILLION TONS OF GRAIN IN FY 1975 COMPATED WITH 3.3 MILLION TONS DELIVERED LAST YEAR. BUDGET INCLUDED \$655 MILLION IN FOOD AID TO MSA'S UNDER TITLE I (CONCESSIONAL SALES) AND A SUBSTANTIAL PORTION OF THE \$395 MILLION BUDGETED FOR TITLE II(DONATIONS). AMBASSADOR OFFERED INFORM YSG OF FURTHER DETAILS OF PROGRAM WHEN AVAILABLE.

COMMENT: MEETING WELL ATTENDED AND SPEAKERS VOICED CONTINUING CONCERN WITH PLIGHT MSA'S. ONLY UK INDICATED OPENING TO CONSIDER EXTENSION OF PREVISCH OPERATION. IN POST - MEETING COMMENT TO US REP, UK DELEGATE SAID HE THOUGHT SOMETHING SHOULD BE DONE TO CONTINUE OPERATION OF PREBISCH STAFF E.G. FOR AID MONITORING FUNCTION, UNTIL SPECIAL FUND BECOMES OPERATIONAL WHICH IN HIS VIEW WAS A POSSIBILITY. US DEL INDICATED HE COULD NOT SHARE THIS SENTIMENT AND THAT WE FELT UNEO SHOULD CEASE ON EXPIRATION ITS MANDATE MAY 1 DATE TO WHICH PREBISCH HAD REFERRED IN HIS REMARKS.

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